Emnambithi / Ladysmith Municipality

Annual Financial Statements

FOR THE FINANCIAL YEAR ENDED

30 June 2016

General Information

Legal form of entity	Local Municipality
Members of the Council	
Mayor	Mr M V Madlala
Deputy Mayor	Ms S R Mfusi
Speaker	Ms Z B Rassool
Chief Whip	Mr T W Ngubane
Member of the Executive Committee	Ms T Hadebe
	Mr K L Msibi
	Mr T P Makhaza
	Mr M J Buthelezi
	Mr A S D Warasally
	Mr T Msomi
	Mr L S Madinane
Accounting Officer	Ms S S Ngiba (Acting)
Chief Financial Officer	Mr M Hloba
Grading of local authority	4
Registered office	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 E-mail: mm@ladysmith.co.za
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Auditor-General of South Africa

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The reports and statements set out below comprise the annual financial statements presented :

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ABBREVIATIONS

COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CSC	Community Service Centre
DOHS	Department of Human Settlements
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
LUMS	Land Use Management System
MFMA	Municipal Finance Management Act
NER	National Electricity Regulator
NJMP	Natal Joint Municipal Pension
PPE	Property, Plant and Equipment
SALGA	South African Local Government Authority
SALGBC	South African Local Government Bargaining Council
SCM	Supply Chain Management
VAT	Value Added Taxation

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Emnambithi / Ladysmith Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 2 to 66, which have been prepared on the going concern basis, and were approved by the Accounting Officer.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (20/1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Accounting Officer
Ms SS Ngiba (Acting)

31 August 2016

Statement of Financial Position

	Note(s)	30 June 2016 R	30 June 2015 Restated R
Assets			
Current Assets			
Inventories	16	34 347 016	13 833 722
Trade and Other Receivables from Exchange Transactions	17	27 791 839	25 806 911
Other Receivables from Non-Exchange Transactions	18	75 384 905	71 973 112
VAT Receivable	9	10 308 959	1 903 622
Current Portion of Non-Current Receivables	15	1 400	1 400
Short-Term Investments	14	58 903 136	38 675 930
Call Investment Deposits	19	72 174 933	143 338 377
Cash and Cash Equivalents	20	8 325 462	8 679 987
		287 237 651	**304 213 061**
Non-Current Assets			
Property, Plant and Equipment	10	1 076 873 376	950 326 178
Intangible Assets	11	280 424	425 024
Investment Property	12	80 174 000	84 631 000
Heritage Assets	13	15 302 512	15 302 512
Non-Current Receivables from Exchange Transactions	15	14 178	16 009
		1 172 644 490	**1 050 700 723**
Total Assets		**1 459 882 142**	**1 354 913 784**
Current Liabilities			
Consumer Deposits	4	9 002 329	9 188 827
Provisions	5	8 380 837	10 151 428
Trade and Other Payables from Exchange Transactions	7	154 822 584	161 639 439
Unspent Conditional Grants and Receipts	8	17 807 548	20 609 904
Current Portion of Finance Lease Obligation	3	-	5 465
Current Portion of Long-term Loans	2	300 423	273 316
		190 313 722	**201 868 379**
Non-Current Liabilities			
Long-term Loans	2	4 136 698	4 437 121
Provisions	5	30 072 155	16 238 838
Retirement Benefit Obligations	6	31 500 717	28 855 000
		65 709 570	**49 530 959**
Total Liabilities		**256 023 291**	**251 399 338**
Net Assets		**1 203 858 850**	**1 103 514 446**
Net Assets			
Housing Development Fund	1	25 772 485	29 217 591
Accumulated Surplus		1 178 086 365	1 074 296 855
Total Net Assets		**1 203 858 850**	**1 103 514 446**

Statement of Financial Performance

	Note(s)	30 June 2016 R	30 June 2015 Restated R
Revenue			
Revenue from non-exchange transactions			
Property Rates	21	130 628 035	125 225 402
Property Rates - Penalties & Collection Charges		6 507 810	6 565 330
Fines		10 799 929	10 564 080
Licences and Permits		5 832 977	6 251 120
Government Grants and Subsidies	23	242 464 222	236 722 703
Government Grants - Low Cost Housing	23	952 346	1 196 183
Revenue from exchange transactions			
Service Charges	22	293 485 955	263 415 978
Interest Earned - External Investments		10 404 000	8 398 564
Interest Earned - Outstanding Receivables		2 162 513	1 979 639
Other Income	34	11 225 032	17 748 536
Total Revenue		**714 462 819**	**678 067 534**
Expenditure			
Employee Related Costs	24	185 384 867	158 980 351
Remuneration of Councillors	25	16 099 637	15 537 461
Bad Debts		26 242 398	22 157 840
Depreciation and Amortisation Expense		48 961 370	53 292 101
Repairs and Maintenance		36 122 272	33 706 595
Finance Costs	26	422 695	465 045
Bulk Purchases	27	185 308 221	161 419 460
General Expenses	29	124 421 139	112 302 531
Total Expenditure		**622 962 598**	**557 861 383**
Other Gains / Losses			
Gain / (Loss) on sale/disposal of assets		-84 151	-199 215
Gain / (Loss) on fair value adjustment		15 737 693	-655 000
Gain / (Loss) on revaluation of assets		-	-
Inventories : Write-down to net realisable value		-	-
(Impairment Loss) / Reversal of impairment loss		-4 130 088	-4 139 782
Surplus / (Deficit) for the period		**103 023 675**	**115 212 155**

Statement of Changes in Net Assets

	Housing Development Fund	Accumulated Surplus	Total Net Assets
	R	R	R
Opening balance as previously reported - 1 July 2013	26 333 856	941 343 330	967 677 187
Surplus for the year	-	14 396 193	14 396 193
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	-46 144	-46 144
Prior Year Adjustment: Investment Properties	-	2 020 000	2 020 000
Prior Year Adjustment: Property, Plant and Equipment	-	-2 601 423	-2 601 423
Other Transfers to Internal Funds	-	-38 766	-38 766
Transfer to Self-Insurance Fund	-	2 591 906	2 591 906
Transfer to Housing Development Fund	1 850 399	-	1 850 399
Balance at 30 June 2014	**28 184 255**	**957 665 097**	**985 849 352**
Surplus for the year	-	115 212 155	115 212 155
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	11 979	11 979
Other Transfers to Internal Funds	-	21 800	21 800
Transfer to Self-Insurance Fund	-	1 385 824	1 385 824
Transfer to Housing Development Fund	1 033 336	-	1 033 336
Balance at 30 June 2015	**29 217 591**	**1 074 296 855**	**1 103 514 446**
Surplus for the period	-	103 023 675	103 023 675
Prior Year Adjustments	-	-1 071 806	-1 071 806
Transfer to Self-Insurance Fund	-	1 837 641	1 837 641
Transfer to Housing Development Fund	-3 445 106	-	-3 445 106
Balance at 30 June 2016	**25 772 485**	**1 178 086 365**	**1 203 858 850**

Cash Flow Statement

	Note(s)	30 June 2016 R	30 June 2015 Restated R
Cash flows from operating activities			
Receipts			
Sale of goods and services		385 439 717	362 073 878
Grants		240 614 212	231 866 244
Interest received		10 404 000	8 398 564
Other receipts		17 058 009	23 999 657
		653 515 937	626 338 343
Payments			
Employee costs		-221 397 865	-195 226 210
Suppliers		-299 392 719	-202 443 704
Interest paid		-422 695	-465 045
Other payments		-14 122 904	-13 043 831
		-535 336 183	-411 178 790
Net cash flows from operating activities	**30**	**118 179 754**	**215 159 553**
Cash flows from investing activities			
Purchase of property, plant and equipment		-169 623 419	-145 852 257
Purchase of investment property		-	-
Purchase of intangible assets		-43 667	-46 617
Proceeds on sale of assets		475 351	475 667
Net cash flows from investing activities		**-169 191 735**	**-145 423 207**
Cash flows from financing activities			
New loans raised/(repaid)		-273 316	-250 698
Finance lease raised/(repaid)		-5 465	-20 674
Net cash flows from financing activities		**-278 781**	**-271 372**
Net increase / (decrease) in cash and cash equivalents		**-51 290 762**	**69 464 973**
Cash and cash equivalents at the beginning of the period			
- Short-Term Investments		38 675 930	26 346 179
- Call Investment Deposits		143 338 377	81 677 144
- Cash and cash equivalents		8 679 987	13 205 998
		190 694 294	**121 229 320**
Cash and cash equivalents at the end of the period			
- Short-Term Investments	**14**	58 903 136	38 675 930
- Call Investment Deposits	**19**	72 174 933	143 338 377
- Cash and Cash Equivalents	**20**	8 325 462	8 679 987
		139 403 532	**190 694 294**

Appropriation Statement

	Original Budget R	Budget Adjustments (i.t.o. s28 & s31 of the MFMA R	Virement (i.t.o. Council Approved Policy) R	Final Budget R	Actual R	Variance R	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Financial Performance								
Property Rates	132 180 397	(269 328)	-	131 911 069	130 628 035	(1 283 034)	99.03%	98.83%
Property Rates - Penalties & Collection Charges	11 681 039	(6 111 971)	-	5 569 068	6 507 810	938 742	116.86%	55.71%
Services Charges	294 158 151	7 148 025	-	301 306 176	293 485 955	(7 820 221)	97.40%	99.77%
Interest Earned - External Investments	5 000 000	4 000 000	-	9 000 000	10 404 000	1 404 000	115.60%	208.08%
Interest Earned - Outstanding Debtors	2 015 719	500 000	-	2 515 719	2 162 513	(353 206)	85.96%	107.28%
Fines	9 501 490	500 000	-	10 001 490	10 799 929	798 439	107.98%	113.67%
Licences and Permits	6 508 213	-	-	6 508 213	5 832 977	(675 236)	89.62%	89.62%
Transfers and Grants Recognised - Operational	136 790 000	(4 074 000)	-	132 155 700	132 440 743	285 043	100.22%	96.82%
Transfers and Grants Recognised - Low Cost Housing	-	-	-	-	952 346	952 346	0.00%	0.00%
Other Income and Profit on Fair Value Ajustments	21 180 813	(13 280 185)	-	7 900 628	26 962 725	19 062 097	341.27%	127.30%
Total Revenue (Excl. Capital Transfers & Contributions)	**619 015 822**	**(11 587 459)**	**-**	**606 868 063**	**620 177 033**	**13 308 970**	**102.19%**	**100.19%**
Employee Related Costs	196 205 329	8 061 093	(2 000 000)	202 266 422	185 384 867	(16 881 555)	91.65%	94.49%
Remuneration of Councillors	15 910 681	571 999	-	16 482 680	16 099 637	(383 043)	97.68%	101.19%
Bad Debts	19 994 977	6 500 000	-	26 494 977	26 242 398	(252 579)	99.05%	131.24%
Depreciation and Amortisation Expense	70 503 542	(10 503 542)	-	60 000 000	48 961 370	(11 038 630)	81.60%	69.45%
Repairs and Maintenance	40 997 157	(2 421 990)	(1 170 764)	37 404 403	36 122 272	(1 282 131)	96.57%	88.11%
Finance Costs	418 764	5 000	-	423 764	422 695	(1 069)	99.75%	100.94%
Bulk Purchases	183 766 408	3 651 708	-	187 418 116	185 308 221	(2 109 895)	98.87%	100.84%
Impairment Loss	1 943 313	-	-	1 943 313	4 130 088	2 186 775	212.53%	212.53%
Loss on Disposal of PPE	-	-	-	-	84 151	84 151	0.00%	0.00%
Other Expenditure	147 280 575	(25 046 187)	3 170 764	124 234 388	124 421 139	186 751	100.15%	84.48%
Total Expenditure	**677 020 746**	**(19 181 919)**	**-**	**656 668 063**	**627 176 836**	**(29 491 227)**	**95.51%**	**92.64%**
Surplus/(Deficit)	**(58 004 924)**	**7 594 460**	**-**	**(49 800 000)**	**(6 999 803)**	**42 800 197**	**14.06%**	**12.07%**
Transfers Recognised - Capital	107 647 000	560 300	-	108 207 300	110 023 478	1 816 178	101.68%	102.21%
Contributions Recognised - Capital	-	-	-	-	-	-	0.00%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	**49 642 076**	**8 154 760**	**-**	**58 407 300**	**103 023 675**	**44 616 375**	**176.39%**	**207.53%**
Capital Expenditure and Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	107 647 000	560 300	-	108 207 300	110 023 478	1 816 178	101.68%	102.21%
Public Contributions and Donations	-	-	-	-	-	-	0.00%	0.00%
Borrowing	-	-	-	-	-	-	0.00%	0.00%
Internally Generated Funds	60 628 000	28 532 298	-	89 160 298	59 599 941	(29 560 357)	66.85%	98.30%
Total Sources of Capital Funds	**168 275 000**	**29 092 598**	**-**	**197 367 598**	**169 623 419**	**(27 744 179)**	**85.94%**	**100.80%**

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

These financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in the Appropriation Statement.

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality :

GRAP 107 : Mergers – issued November 2010

Compliance with this standard will not have an impact on the current financial information as no transactions relating to mergers exist in the current year.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. INTERNAL RESERVES

Self Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services taking into account claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 SUBSEQUENT MEASUREMENT – COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives:-

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		***Other***	
Roads and Paving	5 - 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Water	10 -100	Office Equipment	5 – 7
Sanitation	10 - 100	Furniture and Fittings	10
Housing	30	Watercraft	15
Stormwater	25 – 120	Bins and Containers	5 – 10
Community		Specialised Plant and Equipment	5 – 15
Buildings	10 – 50	Other Items of Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Landfill sites	15
Security	3 –5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.
Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.
Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	indefinite
Software	3 years

7. HERITAGE ASSETS

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

7.1 INITIAL RECOGNITION

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition.

7.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

7.3 DEPRECIATION AND IMPAIRMENT

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

7.4 DERECOGNITION

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

8. IMPAIRMENT OF ASSETS

8.1 CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

8.2 NON-CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

9. INVENTORIES

9.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale in terms of land, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

9.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.
In general, the basis of allocating cost to inventory items is the weighted average method.

10. FINANCIAL INSTRUMENTS

10.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

10.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

10.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

10.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, less trade discounts, if applicable, and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

10.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

15. LEASES

15.1 Finance Leases – The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The

lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

15.2 Operating Leases – The Municipality as Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

15.3 Operating Leases – The Municipality as Lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

16. REVENUE

16.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

16.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction of RDP Houses. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agent for construction of RDP Houses. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position, and the revenue is only

recognized in the Statement of Financial Performance once payments to the Implementing Agents are made upon handover of the houses to the beneficiaries.

17. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

19. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures, Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 5 on Provisions.

Post Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 6 on Retirement Benefit Obligations.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement.*

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

Impairment of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 7 and 8 respectively.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. COMMITMENTS

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

22. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies used for the preparation of these financial statements. The amounts are scheduled as separate additional columns in the Appropriation Statement. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

1. Housing Development Fund

Unappropriated Surplus/(Deficit)	(21 352 017)	(17 906 911)
Loans extinguished by Government on 1 April 1998	47 124 502	47 124 502
	25 772 485	**29 217 591**
The Housing Operating Account is represented by the following assets and liabilities:		
Property, plant and equipment	-	-
Housing selling scheme loans	(2 844 728)	(2 863 494)
Housing rental debtors	-	-
Bank and cash	28 617 212	32 081 085
Sub-total	25 772 485	29 217 591
Creditors	-	-
	25 772 485	**29 217 591**

2. Long-term Loans

Loans	4 437 121	4 710 438
Less : Current portion transferred to current liabilities	(300 423)	(273 316)
	4 136 698	**4 437 121**

Refer to Appendix A for more detail on long-term loans

3. Finance Lease Obligations

Minimum lease payments due		
- within one year	-	5 547
- in second to fifth year inclusive	-	-
- later than five years	-	-
	-	5 547
Less : Future finance charges	-	(82)
Present value of minimum lease payments	-	5 465
Present value of minimum lease payments due		
- within one year	-	5 465
- in second to fifth year inclusive	-	-
- later than five years	-	-
	0	5 465
Non-current liabilities	-	-
Current liabilities	-	5 465

It is the Municipality's policy to lease certain equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 9.00% (2015 : 9.00%).
Interest rates are fixed at the contract date. All leases have fixed repayments.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

4. Consumer Deposits

Electricity	9 002 329	9 188 827

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits R 2 060 542 (2015: R 2 332 575)

5. Provisions

Non-Current

5.1 Environmental Rehabilitation : Landfill Site

Balance at beginning of year	16 238 838	15 927 936
Contribution to provision	13 833 317	310 902
	30 072 155	16 238 838

Provision for reclamation of refuse landfill site. In terms of the licencing of the refuse landfill site, council will incur rehabilitation estimation costs of R 30 072 155 (2015: R 16 238 838) to restore the site at the end of its useful life.

The calculation is based on the total actual area of the Landfill site which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

Council initially resolved to close the current landfill site as per Council Resolution EC8/03/2014 dated 19/03/2014.
Due to the unavailability of an appropriate area to establish a new landfill site, the Municipality will be looking at re-engineering the existing landfill site to extend it useful life for approximately 15 years.
The provision in terms of disclosure has been amended from being a current liability as disclosed in the 2015 financial year, to being a non-current liability based on the developments with regard to the existing Landfill Site and as per the expert's report issued.

Current

5.2 Performance Bonuses

Balance at beginning of year	577 428	513 313
Contribution to provision	395 084	340 239
Expenditure incurred	(442 862)	(276 124)
	529 650	577 428

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by the Council.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

5.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 10 years to 45 years of service, inclusive. As at 30 June 2016, 702 (2015 : 704) employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award. Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets	-	-
Accrued Liability	7 851 187	9 574 000
Unfunded Accrued Liability	**7 851 187**	**9 574 000**
Unrecognised Transitional Liability	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Unrecognised Past Service Cost	-	-
Net Liability in Statement of Financial Position	**7 851 187**	**9 574 000**

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Previous opening liability	9 574 000	7 884 573
Current service cost	937 000	710 788
Interest cost	872 000	579 949
Actual benefits paid	(995 183)	(1 025 785)
Actuarial loss / (gain)	(2 536 630)	1 424 475
Closing Balance	7 851 187	9 574 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	937 000	710 788
Interest cost	872 000	579 949
Actuarial loss / (gain) recognised	(2 536 630)	1 424 475
Total included in Statement of Financial Performance	**(727 630)**	**2 715 212**

Key Financial Assumptions Used

30 June 2016

Assumption	Value p.a.
Discount Rate	8.54%
General Salary Inflation (long-term)	7.20%
Net Effective discount rate	1.25%

The discount rate was determined by deducing from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

5.3 Long Service Awards (Continued)

30 June 2015

Discount Rate	Yield Curve	7.90%
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	6.08%
Normal Salary Increase Rate	Equal to CPI +1%	7.08%
Net Effective Discount Rate	Yield Curve Based	0.77%

The nominal and real zero curves as at 30 June 2015 supplied by the Johannesburg (JSE) were used to determine the discounted rates and CPI assumptions at each relevant time period.

Key Demographic Assumptions Used

30 June 2016

Average retirement age :	
Males	60
Females	60
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55	1%	1%

30 June 2015

Average retirement age :	
Males	63
Females	63
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Sensitivity Analysis

30 June 2016

Assumption	Change	Liability	% Change
Central assumptions		7.851	
General salary inflation	+1%	8.353	6%
	-1%	7.395	-6%
Discount Rate	+1%	7.368	-6%
	-1%	8.394	7%
Average retirement age	-2 yrs	6.939	-12%
	+2 yrs	8.908	13%
Withdrawal rates	-50%	9.347	19%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R 937 000	R 872 000	R 1 809 000	
General salary inflation	+1%	R 1 034 000	R 944 000	R 1 978 000	9%
	-1%	R 853 000	R 808 000	R 1 661 000	-8%
Withdrawal rates	+20%	R 845 000	R 817 000	R 1 662 000	-8%
	-20%	R 1 049 000	R 935 000	R 1 984 000	10%

	30 June 2016	30 June 2015 Restated
	R	R

5.3 Long Service Awards (Continued)

30 June 2015

Withdrawal rate

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	R 10 208 000	R 9 574 000	R 9 021 000
Current Service Cost	R 1 049 000	R 937 000	R 845 000
Interest Cost	R 935 000	R 872 000	R 817 000

Normal salary inflation

	-1% Normal Salary Inflation	Valuation Assumption	+1% Normal Salary Inflation
Total Accrued Liability	R 8 914 000	R 9 574 000	R 10 308 000
Current Service Cost	R 853 000	R 937 000	R 1 034 000
Interest Cost	R 808 000	R 872 000	R 944 000

Trend Information

	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018
Opening Accrued Liability	R 9 574 000	R 7 851 187	R 8 113 935
Current-service Cost	R 937 000	R 812 363	R 881 730
Interest Cost	R 872 000	R 621 432	R 664 274
Benefit Vestings	R -995 183	R -1 171 047	R -683 092
Total Annual Expense	R 813 817	R 262 748	R 862 912
Actuarial Loss / (Gain)	R -2 536 630		
Closing Accrued Liability	R 7 851 187	R 8 113 935	R 8 976 847

30 June 2015

	Current Valuation Date 30 June 2015	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
Present value of obligation as at the previous valuation date	R 7 884 573	R 9 574 000	R 10 462 000	R 10 866 288
Current Service Cost	R 710 788	R 937 000	R 970 282	R 1 008 694
Interest Cost	R 579 949	R 872 000	R 784 006	R 1 094 037
Benefits Paid (Estimated)	R -1 039 000	R -921 000	R -1 350 000	R -792 000
Actuarial Loss / (Gain)	R 1 437 690	R -	R -	R -
Present value of obligation as at the current valuation date	R 9 574 000	R 10 462 000	R 10 866 288	R 12 177 019

The Municipality expects to pay R 1 171 047 in benefit payments in the 2016/2017 financial year.

The valuation as at 30 June 2016 was performed by ARCH Actuarial Consulting CC.
ARCH Actuarial Consulting CC is not affiliated to the Municipality.
The full actuarial valuation report as at 30 June 2016 is available on request.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

6. Retirement Benefit Obligations

Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

The subsidy will be 50% for those in-service members who were aged between 50 and 55 on 1 January 2005. Other in-service members do not qualify for the post-employment subsidy.

If an employee chooses to take early retirement, he or she must be at least 55 years of age at the time of retirement and have at least 25 continuous years' service, provided they are eligible as as at 1 January 2005, as per above.

The total in-service employees belonging to Medical Schemes as at 30 June 2016 were 4 and the total continuation employees receiving the medical benefit as at 30 June 2016 were 67.

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	31 500 717	28 855 000
Fair value of plan assets	-	-
Unrecognised Past Service cost	-	-
Unrecognised actuarial (gains)/losses	-	-
Liability Recognised in Balance Sheet	31 500 717	28 855 000

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Previous opening liability	28 855 000	34 056 268
Current service cost	53 000	131 320
Interest cost	2 542 000	2 782 479
Actual benefits paid	(2 202 021)	(2 095 848)
Actuarial loss / (gain)	2 252 738	(6 019 219)
Closing Balance	31 500 717	28 855 000

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	53 000	131 320
Interest cost	2 542 000	2 782 479
Actuarial loss / (gain) recognised	2 252 738	(6 019 219)
Total included in Statement of Financial Performance	4 847 738	(3 105 420)

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

6. Retirement Benefit Obligations (Continued)

Key Financial Assumptions Used

30 June 2015

Assumption	Value p.a.
Discount Rate	8.95%
Health care cost inflation rate	8.10%
Net discount rate - health care cost inflation	0.79%
Maximum subsidy inflation rate	5.70%
Net discount rate - maximum subsidy inflation	3.08%

The discount rate was determined by deducing from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

30 June 2015

Discount Rate	Yield Curve	8.42%
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	6.24%
Normal Salary Increase Rate	Equal to CPI +1%	7.74%
Net Effective Discount Rate	Yield Curve Based	0.63%

The nominal and real zero curves as at 30 June 2015 supplied by the Johannesburg (JSE) were used to determine the discounted rates and CPI assumptions at each relevant time period.

Key Demographic Assumptions Used

30 June 2016

Average retirement age :	
Males	60
Females	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55	1%	1%

30 June 2015

Average retirement age :	
Males	65
Females	65
Mortality during employment	SA 85 - 90
Withdrawal from service (sample annual rates) :	

Age Band	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

6. Retirement Benefit Obligations (Continued)

Sensitivity Analysis

June 2016

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		3.787	27.714	31.501	
Health care inflation	+1%	4.053	29.106	33.158	5%
	-1%	3.471	26.088	29.559	-6%
Discount Rate	+1%	3.416	25.453	28.869	-8%
	-1%	4.226	30.360	34.586	10%
Post-retirement mortality	-1 yr	3.916	28.821	32.737	4%
Continuation of membership at retirement	-10%	2.858	27.714	30.572	-3%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central Assumptions		R 53 000	R 2 542 000	R 2 595 000	
Health care inflation	+1%	R 56 000	R 2 621 000	R 2 677 000	3%
	-1%	R 50 000	R 2 444 000	R 2 494 000	-4%
Mortality rate	+20%	R 50 000	R 2 378 000	R 2 428 000	-6%
	-20%	R 57 000	R 2 741 000	R 2 798 000	8%

30 June 2015

Mortality rate

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 31 028 000	R 28 855 000	R 27 065 000
Interest Cost	R 2 741 000	R 2 542 000	R 2 378 000
Service Cost	R 57 000	R 53 000	R 50 000

Medical aid inflation

	-1% Normal Salary Inflation	Valuation Assumption	+1% Normal Salary Inflation
Total Accrued Liability	R 27 790 000	R 28 855 000	R 29 723 000
Interest Cost	R 2 444 000	R 2 542 000	R 2 621 000
Service Cost	R 50 000	R 53 000	R 56 000

30 June 2016

	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018
Opening Accrued Liability	R 28 855 000	R 31 500 717	R 31 954 226
Current-service Cost	R 53 000	R -	R -
Interest Cost	R 2 542 000	R 2 721 125	R 2 753 680
Expected Contributions (benefits paid)	R -2 298 000	R -2 267 616	R -2 451 390
Total Annual Expense	R 297 000	R 453 509	R 302 290
Actuarial Loss / (Gain)	R 2 348 717		
Closing Accrued Liability	R 31 500 717	R 31 954 226	R 32 256 516

30 June 2015

	Valuation Date 30 June 2015	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
Present value of obligation as at the previous valuation date	R 34 056 268	R 28 855 000	R 29 152 000	R 29 531 000
Current Service Cost	R 131 320	R 53 000	R 58 000	R 63 000
Interest Cost	R 2 782 479	R 2 542 000	R 2 569 000	R 2 603 000
Benefits Paid (Estimated)	R -2 096 000	R -2 298 000	R -2 248 000	R -2 266 000
Actuarial Loss / (Gain)	R -6 019 067	R -	R -	R -
Present value of obligation as at the current valuation date	R 28 855 000	R 29 152 000	R 29 531 000	R 29 931 000

The Municipality expects to pay R 2 267 616 to its post-retirement medical aid plan in 2016/2017.

The valuation as at 30 June 2016 was performed by ARCH Actuarial Consulting CC.
ARCH Actuarial Consulting CC is not affiliated to the Municipality.
The full actuarial valuation report as at 30 June 2016 is available on request.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

7. Trade and Other Payables from Exchange Transactions

Trade Creditors	26 913 367	22 413 891
Creditors - Accruals	69 281 975	90 411 733
Retentions	19 346 515	14 008 334
Unidentified Deposits in Primary Bank Account	4 937 732	1 719 403
Deposits : Other	3 546 069	2 857 321
Other Creditors	118 082	90 169
Employee Benefits - Leave	13 830 781	12 260 277
Employee Benefits - Bonuses	3 584 947	3 297 772
Payments Received in Advance i.r.o. Service Debtors	13 263 116	14 580 539
	154 822 584	**161 639 439**

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.
Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months. Payments received in advance are non-interest bearing and normally settled on 30-day terms.
Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial risk management.

8. Unspent Conditional Grants and Receipts

Municipal Infrastructure Grant (MIG)	-	-
Dept of Housing	15 653 230	15 814 416
Financial Management Grant (FMG)	-	-
Municipal Systems Improvement Grant (MSIG)	-	-
Integrated National Electricity Programme (INEP)	-	-
Neighbourhood Development Partnership Grant (NDPG)	-	-
Expanded Public Works Programme (EPWP)	-	-
Disaster Recovery Grant (DRG)	(394 907)	122 291
Museum Subsidy	-	-
Other Grants	2 549 225	4 673 197
	17 807 548	**20 609 904**

The municipality's application for roll-over of unspent grants, in respect of the Disaster Recovery Grant (DRG) for 2014/2015 in the amount of R 122 291 was not approved by National Treasury. The amount of R 122 291 was repaid to National Treasury in November 2015.

9. VAT Receivable

	10 308 959	**1 903 622**

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value	Infrastructure R	Community R	Other R	Land R	Leased Assets	Total R
Carrying values at 1 July 2015	**700 723 044**	**121 650 661**	**92 588 765**	**35 269 000**	**94 708**	**950 326 178**
Cost	1 396 737 131	254 286 450	227 227 475	35 269 000	335 442	1 913 855 498
Capital under Construction	68 011 038	24 775 591	335 139	-	-	93 121 769
Accumulated impairment	(3 070 553)	(1 244 655)	(1 941 275)	-	-	(6 256 483)
Accumulated depreciation	(760 954 573)	(156 166 726)	(133 032 574)	-	(240 734)	(1 050 394 606)
Acquisitions	130 888 876	11 413 633	7 084 859	-	-	149 387 367
Capital under Construction	11 085 696	10 142 576	10 554 142	-	-	31 782 414
Depreciation	(29 731 593)	(8 043 329)	(11 136 269)	-	212 334	(48 698 858)
Impairment	(3 346 206)	(314 073)	(469 809)	-	-	(4 130 088)
Carrying value of disposals	(237 919)	-	(1 294 695)	(20 000)	(241 024)	(1 793 637)
Cost/revaluation	(701 337)	-	(1 655 384)	(20 000)	(335 442)	(2 712 163)
Accumulated depreciation	463 419	-	360 689	-	94 418	918 525
Carrying values at 30 June 2016	**809 381 898**	**134 849 468**	**97 326 993**	**35 249 000**	**66 018**	**1 076 873 376**
Cost	1 526 924 670	265 700 084	232 656 950	35 249 000	-	2 060 530 703
Capital under Construction	79 096 735	34 918 167	10 889 281	-	-	124 904 183
Accumulated impairment	(6 416 759)	(1 558 728)	(2 411 084)	-	-	(10 386 571)
Accumulated depreciation	(790 222 747)	(164 210 055)	(143 808 154)	-	66 018	(1 098 174 939)

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2015 (Restated)

Reconciliation of Carrying Value	Infrastructure R	Community R	Other R	Land R	Leased Assets	Total R
Carrying values at 1 July 2014	**615 766 027**	**116 682 811**	**97 893 895**	**33 089 000**	**161 797**	**863 593 530**
Cost	1 299 182 918	244 944 595	219 256 900	33 089 000	335 442	1 796 808 855
Capital under Construction - Cost	47 624 722	20 021 166	-			67 645 888
Accumulated impairment	(884 294)	(723 177)	(673 174)	-	-	(2 280 644)
Accumulated depreciation	(730 157 320)	(147 559 773)	(120 689 831)	-	(173 645)	(998 580 570)
Acquisitions	99 706 163	9 341 856	9 148 358	2 180 000	-	120 376 376
Capital under Construction	20 386 316	4 754 425	335 139	-	-	25 475 881
Depreciation	(31 967 058)	(8 606 953)	(13 017 183)	-	(67 088)	(53 658 281)
Impairment	(2 186 259)	(521 478)	(1 268 102)	-	-	(3 975 839)
Carrying value of disposals	(982 145)	-	(503 343)	-	-	(1 485 488)
Cost/revaluation	(2 151 950)	-	(1 177 783)	-	-	(3 329 733)
Accumulated depreciation	1 169 805	-	674 440	-	-	1 844 245
Carrying values at 30 June 2015	**700 723 044**	**121 650 661**	**92 588 765**	**35 269 000**	**94 708**	**950 326 178**
Cost	1 396 737 131	254 286 450	227 227 475	35 269 000	335 442	1 913 855 498
Capital under Construction - Cost	68 011 038	24 775 591	335 139	-	-	93 121 769
Accumulated impairment	(3 070 553)	(1 244 655)	(1 941 275)	-	-	(6 256 483)
Accumulated depreciation	(760 954 573)	(156 166 726)	(133 032 574)	-	(240 734)	(1 050 394 606)

Refer to Appendix B for more detail on property, plant and equipment.

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Infrastructure Assets

Physical verification and valuation
- Infrastructure assets were physically verified during the 2015/2016 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.
- All assets were verified and condition assessments done during the year.

Movable Assets

Physical verification and valuation
- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done in the 2015/2016 financial year.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

11. Intangible Assets

30 June 2016

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	2 021 236	43 667	-	-	2 064 903
Total	2 062 859	43 667	-	-	2 106 526
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	(1 637 835)	(188 267)	-	-	(1 826 102)
Total	(1 637 835)	(188 267)	-	-	(1 826 102)
Carrying Value	425 024	(144 599)	-	-	280 424

30 June 2015

	Opening Balance R	Additions R	Disposals R	Transfers R	Total
Cost					
Servitudes	26 623	15 000	-	-	41 623
Computer Software	1 989 619	31 617	-	-	2 021 236
Total	2 016 242	46 617	-	-	2 062 859
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	(1 445 137)	(192 698)	-	-	(1 637 835)
Total	(1 445 137)	(192 698)	-	-	(1 637 835)
Carrying Value	571 105	(146 081)	-	-	425 024

Physical verification and valuation:
- All the Intangible assets have been verified during the 2015/2016 financial year. During this process the asset location and description was recorded and evaluated.

Intangible assets disclosed relate to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

12. Investment Properties

30 June 2016

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
	R	R	R	R	R
Cost	84 631 000	-	15 737 693	(20 194 693)	80 174 000
Total	84 631 000	-	15 737 693	(20 194 693)	80 174 000
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	84 631 000	-	15 737 693	(20 194 693)	80 174 000

30 June 2015

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
	R	R	R	R	R
Cost	85 340 000	-	(655 000)	(54 000)	84 631 000
Total	85 340 000	-	(655 000)	(54 000)	84 631 000
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	85 340 000	-	(655 000)	(54 000)	84 631 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 61 612 622 (2015: R 82 121 000). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on 1 July 2013 and has been adjusted to take into account current market conditions.

The last effective date of the fair value adjustments was June 2016. The valuations were performed by the Municipal Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

13. Heritage Assets

30 June 2016

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Buildings	15 277 000		-	-	15 277 000
Other	25 512		-	-	25 512
Total	15 302 512	-	-	-	15 302 512
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	15 302 512	-	-	-	15 302 512

30 June 2015

	Opening Balance R	Additions R	Disposals R	Transfers R	Total
Cost					
Buildings	15 277 000	-	-	-	15 277 000
Other	25 512	-	-	-	25 512
Total	15 302 512	-	-	-	15 302 512
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	15 302 512	-	-	-	15 302 512

The Municipality accounts for Heritage Assets under GRAP 103 (fair value model).

The fair value of Heritage Assets have been valued in accordance with the new municipal valuation roll in terms of buildings, which became effective on 1 July 2013 and has been adjusted to take into account current conditions.

The last effective date of the fair value adjustments was June 2016. The valuations were performed by the Municipal Valuer.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R
14. Investments		
Long-Term Investments		
Short-Term Investments		
- ABSA	-	6 224 363
- First National Bank	-	-
- Investec	15 298 098	
- Nedbank	5 059 222	9 219 478
- Standard Bank	38 545 816	23 232 089
	58 903 136	38 675 930
15. Non-current Receivables from Exchange Transactions		
State Housing Selling Schemes	15 578	17 409
Less : Current portion transferred to current receivables	(1 400)	(1 400)
	14 178	16 009
16. Inventories		
Unsold properties held for resale	21 124 000	1 964 000
Consumable Stores	11 555 955	10 542 592
Inventory Assets	1 667 060	1 327 131
	34 347 016	13 833 722

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

17. Trade and Other Receivables from Exchange Transactions

As at 30 June 2016	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	32 230 722	(5 956 029)	26 274 693
Refuse	14 298 294	(12 938 052)	1 360 242
Housing Debtors	1 432 328	(1 275 424)	156 904
	47 961 344	(20 169 505)	27 791 839
As at 30 June 2015			
Electricity	31 093 618	(6 319 926)	24 773 691
Refuse	11 239 394	(10 243 999)	995 395
Housing Debtors	1 105 839	(1 068 015)	37 824
	43 438 851	(17 631 940)	25 806 911

Electricity : Ageing		
Current (0 - 30 days)	22 426 973	20 855 686
31 - 60 Days	2 246 789	3 300 465
61 - 90 Days	436 774	463 389
91 - 120 Days	432 300	268 937
121+ Days	6 687 886	6 205 140
	32 230 722	31 093 618
Refuse : Ageing		
Current (0 - 30 days)	13 716	19 945
31 - 60 Days	535 080	620 952
61 - 90 Days	362 489	499 026
91 - 120 Days	347 946	481 300
121+ Days	13 039 062	9 618 170
	14 298 294	11 239 394
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	17 631 940	14 664 410
Contributions to provision	3 935 352	7 170 008
Additional provision for impairment	-	-
Doubtful debts written off against provision	(1 397 787)	(4 202 478)
Reversal of provision	-	-
	20 169 505	17 631 940

Trade and other receivables from exchange transactions impaired

As of 30 June 2016, trade and other receivables of R 25 520 655 (2015: R 22 563 220) were impaired and provided for.
The amount of the provision was R 20 169 505 as at 30 June 2016 (2015: R 17 631 940).
The ageing of these receivables is as follows:

31 - 60 Days	1 849 623	2 604 359
61 - 90 Days	593 671	741 692
91 - 120 Days	577 780	605 471
121+ Days	17 148 431	13 680 419
	20 169 505	17 631 940

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable.
Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

18. Other Receivables from Non-Exchange Transactions

As at 30 June 2016	Gross Balances	Provision for Bad Debts	Net Balance
Rates	134 506 306	(91 758 767)	42 747 539
Vat Service Debtors	6 469 457	-	6 469 457
Legal Fees - Debtors	747 108	(723 508)	23 600
Credit Control Costs - Debtors	492 776	(336 419)	156 357
Traffic Fines	31 668 308	(14 548 421)	17 119 887
Sundry Debtors	11 968 493	(3 100 429)	8 868 065
	185 852 449	(110 467 543)	75 384 906
As at 30 June 2015			
Rates	117 135 176	(79 802 151)	37 333 025
Vat Service Debtors	5 857 766	-	5 857 766
Legal Fees - Debtors	764 491	(740 771)	23 720
Credit Control Costs - Debtors	408 557	(281 431)	127 126
Traffic Fines	24 572 748	(10 885 727)	13 687 021
Sundry Debtors	18 141 255	(3 196 801)	14 944 454
	166 879 993	(94 906 882)	71 973 112

Rates : Ageing		
Current (0 - 30 days)	145 533	221 922
31 - 60 Days	4 141 920	4 321 844
61 - 90 Days	2 376 221	3 062 688
91 - 120 Days	2 254 738	2 833 971
121+ Days	125 587 893	106 694 751
	134 506 306	117 135 176

Reconciliation of the doubtful debt provision

Balance at beginning of the year	94 906 882	81 960 753
Contributions to provision	22 307 046	14 987 832
Doubtful debts written off against provision	(6 746 384)	(2 041 703)
Reversal of provision	-	-
	110 467 543	94 906 882

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2016, trade and other receivables of R 138 531 468 (2015: R 121 132 257) were impaired and provided for.
The amount of the provision was R 106 804 850 as at 30 June 2016 (2015: R 94 906 882).
The ageing of these receivables is as follows:

31 - 60 Days	2 743 474	2 847 239
61 - 90 Days	1 573 932	2 017 704
91 - 120 Days	1 493 466	1 867 025
121+ Days	100 993 978	88 174 914
	106 804 850	94 906 882

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns, where applicable.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

19. Call Investment Deposits

The Municipality has the following call investment bank accounts :-

General Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207051716		
Bank statement balance at end of year	334 252	45 747 837
Department of Housing Grants Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207052314		
Bank statement balance at end of year	15 633 297	16 585 642
Grant Funds Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207054081		
Bank statement balance at end of year	18 871 315	17 888 628
Small Town Rehabilitation Grant Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9236394943		
Bank statement balance at end of year (Account Closed)	-	1 000
Ladysmith Black Mambazo Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9236410696		
Bank statement balance at end of year	1 668 143	2 162 798
Self-Insurance Fund Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9251267674		
Bank statement balance at end of year	890 532	10 776 124
Neighbourhood Development Partnership Grant Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9265577031		
Bank statement balance at end of year	8 396	1 669 793
Housing Operating Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9274469611		
Bank statement balance at end of year	22 906 714	20 859 500
Housing Capacity Fund Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9285122301		
Bank statement balance at end of year	1 045 322	168 835
Disaster Recovery Grant Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9305740716		
Bank statement balance at end of year	10 816 964	27 478 219
	72 174 933	143 338 377

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

20. Cash and Cash Equivalents

The Municipality has the following bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking
Account Number 4071756088

Cash book balance at beginning of period	8 679 987	13 205 998
Cash book balance at end of period	8 325 462	8 679 987
Bank statement balance at beginning of period	19 626 477	24 851 512
Bank statement balance at end of period	33 544 728	19 626 477

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

21. Property Rates

Actual		
Residential	59 521 718	56 835 613
Bed and Breakfast Establishments		888 258
Industrial / Commercial / Business	32 353 618	30 277 545
Agriculture	2 742 076	2 658 218
Vacant Land	6 806 387	6 056 215
Game Hunting / Eco-Tourism	1 099 238	1 036 280
State	25 497 463	23 421 967
Industrial Estate Serviced By Agent	2 133 367	3 603 765
Industrial Estate Serviced By Owner	474 167	447 542
Total Assessment Rates	**130 628 035**	**125 225 402**

	R'000	R'000
Valuations		
Residential & Bed and Breakfast	6 374 950	6 335 952
Industrial / Commercial / Business	1 565 096	1 536 271
Agriculture	969 596	976 863
Public Service Infrastructure	15 500	15 860
Vacant Land	142 124	140 660
Rural Residential	304 957	302 355
Game Hunting / Eco-Tourism	126 360	126 360
Municipal Domestic	197 391	188 841
State	1 196 046	1 182 277
Land Reform < 10 Years	152 140	125 670
Non Profit Organisations	59 907	60 517
Religious	186 640	186 640
Industrial Estate Serviced By Agent	161 729	317 729
Industrial Estate Serviced By Owner	39 470	39 470
Ingonyama Trust	18 440	18 440
Municipal Vacant Land	135 625	110 595
Public Open Spaces	6 104	6 153
Total Property Valuations	**11 652 075**	**11 670 653**

Valuation on land and buildings is performed every five years. The last valuation came into effect on 1 July 2013. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential	R 0.011680	R 15 000
Bed and Breakfast	R 0.016000	R 15 000
Industrial/Commercial/Business	R 0.020920	R 15 000
Agriculture	R 0.002900	R 15 000
Vacant Land	R 0.048450	R 0
Game Hunting / Eco-Tourism	R 0.008730	R 15 000
State	R 0.021550	R 15 000
Industrial Estate	R 0.012110	R 15 000

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2016 (2015: 30 June 2015). Interest is raised at 15.5% and 9% per annum, from outstanding rates up to January 2015 and from February 2015 respectively.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

22. Service Charges

Sale of electricity	281 785 579	250 130 284
Refuse removal	11 700 377	13 285 694
	293 485 955	**263 415 978**

23. Government Grants and Subsidies

Equitable share	119 939 709	118 419 000
Municipal Infrastructure Grant (MIG)	42 647 000	40 950 000
Dept of Housing	1 148 880	2 324 119
Museum Subsidy	166 000	151 000
Financial Management Grant (FMG)	1 600 000	1 600 000
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
Integrated National Electricity Programme (INEP)	15 000 000	7 000 000
Neighbourhood Development Programme (NDPG)	-	17 903 000
Expanded Public Works Programme (EPWP)	4 513 000	4 032 000
Disaster Recovery Grant (DRG)	50 517 198	31 223 709
Other Grants	6 954 781	13 382 057
	243 416 567	**237 918 886**

23.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 110 000 and less (2015 : R 80 000 and less), receive a 100% credit for their Property Rates and their monthly services account.

23.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current year receipts	42 647 000	40 950 000
Conditions met - transferred to revenue (Other)	(42 647 000)	(40 950 000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

23.3 Department of Housing

Balance unspent at beginning of year	15 814 416	17 209 492
Current year receipts	987 693	929 044
Conditions met - transferred to revenue	(1 148 880)	(2 324 119)
Conditions still to be met - transferred to liabilities	**15 653 230**	**15 814 416**

This grant was used to construct houses as part of the upgrading of informal settlement areas.

23.4 Museum subsidy

Balance unspent at beginning of year	-	-
Current year receipts	166 000	151 000
Conditions met - transferred to revenue	(166 000)	(151 000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used to subsidise expenses incurred solely for the museums.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

23. Government Grants and Subsidies (Continued)

23.5 Financial Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 600 000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

23.6 Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used for systems to comply with the MPRA and Audit Outcomes i.t.o. GRAP.

23.7 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	-	-
Current year receipts	15 000 000	7 000 000
Conditions met - transferred to revenue	(15 000 000)	(7 000 000)
Conditions still to be met - transferred to liabilities	-	-

This grant was used for electricity connections to households in various areas.

23.8 Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	-	-
Current year receipts	-	17 903 000
Conditions met - transferred to revenue	-	(17 903 000)
Conditions still to be met - transferred to liabilities	-	-

This grant is used for the upgrading of rural areas in terms of infrastructure development which includes streetlighting, pavements, taxi ranks, bridges, etc.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

23. Government Grants and Subsidies (Continued)

23.9 Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	4 513 000	4 032 000
Conditions met - transferred to revenue	(4 513 000)	(4 032 000)
Conditions still to be met - transferred to liabilities	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour intensive Methods of Construction to workers for skills development.

23.10 Disaster Recovery Grant (DRG)

Balance unspent at beginning of year	122 291	-
Current year receipts	50 000 000	31 346 000
Conditions met - transferred to revenue	(50 517 198)	(31 223 709)
Conditions still to be met - transferred to liabilities / debtor raised for spending in advance	(394 907)	122 291

The Disaster Recovery Grant is received for storm damages that occurred in the Municipal Area to repair bridges, roads and electrical infrastructure

23.11 Other Grants

Balance unspent at beginning of year	4 673 197	9 473 626
Current year receipts	4 830 810	8 581 628
Conditions met - transferred to revenue	(6 954 781)	(13 382 057)
Conditions still to be met - transferred to liabilities	2 549 225	4 673 197

23.12 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), there has been a reduction in the level of government grant funding expected over the forthcoming 3 financial years.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

24. Employee Related Costs

Employee related costs - Salaries and Allowances	133 379 797	120 864 340
Employee related costs - Contributions for UIF, pensions, medical aids, group life and other	27 993 590	26 378 116
Travel allowances	11 546 439	10 035 753
Housing benefits and allowances	1 429 479	614 009
Overtime & standby payments	6 222 783	6 869 584
Job Creation	24 726 140	16 276 698
Less : Employee costs to Property, Plant and Equipment and other expenses	(19 913 361)	(22 058 150)
	185 384 867	158 980 351

There were no advances or loans to employees.

Remuneration of Municipal Manager : Mr M P Khathide

Salaries	1 256 076	1 251 052
Allowances - Subsistence & Travelling	118 770	120 429
Performance Bonus	117 557	99 074
	1 492 403	1 470 555

Mr M P Khathide was appointed in the post of Municipal Manager on 1 November 2012.

Remuneration of the Chief Financial Officer : Mr M Hloba

Salaries	1 171 837	869 197
Allowances - Subsistence & Travelling	34 616	40 712
Performance Bonus	69 667	-
	1 276 120	909 909

Mr M Hloba was appointed in the post of Chief Financial Officer on 1 August 2014.

Remuneration of the Chief Financial Officer : Mrs I Gajadhur (Acting)

Salaries	-	32 949
Allowances - Acting and Travel	-	19 476
Municipality's Contributions - Pension and Medical Aid	-	8 440
	-	60 866

Mrs I Gajadhur was appointed to act in the post of Chief Financial Officer on 1 April 2014 to 31 July 2014.

Remuneration of the Executive Director (Manager): Corporate Services : Ms SS Ngiba

Salaries	982 070	905 930
Allowances - Subsistence & Travelling	44 774	46 887
Performance Bonus	90 772	22 667
	1 117 616	975 484

Ms S S Ngiba was appointed in the post of Executive Manager: Corporate Services from 1 March 2014.

Remuneration of the Executive Director (Manager): Community Services : Mr P B B Simelane

Salaries	1 036 202	992 607
Allowances - Subsistence & Travelling	21 010	21 820
Performance Bonus	87 282	81 732
	1 144 493	1 096 159

Mr P B B Simelane was appointed in the post of Executive Manager: Community Services on 1 March 2013.

Remuneration of the Executive Director (Manager) : Development, Planning & Human Settlement : Mr P S Mkhize

Salaries	1 092 209	992 398
Allowances - Acting and Subsistence & Travelling	46 445	101 761
Performance Bonus	77 584	72 651
	1 216 238	1 166 811

Mr P S Mkhize was appointed in the post of Executive Manager: Development, Planning & Human Settlement on 1 March 2013.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

24. Employee Related Costs (Continued)

Remuneration of the Executive Manager: Infrastructure & Services : Mr P D Ramsundar (Acting)

Salaries	-	134 958
Allowances - Acting, Travel, Standby and Subsistence & Travelling	-	98 032
Municipality's Contributions - Pension and Medical Aid	-	38 765
	-	271 755

Mr P D Ramsundar was appointed to act in the post of Executive Manager: Infrastructure & Services from 1 October 2014 to 31 January 2015.

Remuneration of the Executive Manager: Infrastructure & Services : Mr C Geldenhuys (Acting)

Salaries	-	233 395
Allowances - Acting, Travel, Standby and Subsistence & Travelling	-	204 286
Municipality's Contributions - Pension and Medical Aid	-	42 011
	-	479 691

Mr C Geldenhuys was appointed to act in the post of Executive Manager: Infrastructure & Services from 1 April 2014 to 30 September 2014, and for the period 9 February 2015 to 30 April 2015.

Remuneration of the Executive Director (Manager) : Public Works and Basic Services (Infrastructure & Services) : Mr S O Hlatshwayo

Salaries	589 858	64 354
Allowances - Acting, Travel, Standby, Housing and Subsistence & Travelling	351 463	67 722
Municipality's Contributions - Pension and Medical Aid	80 214	18 009
Bonus (Including Long Service Bonus)	66 868	-
	1 088 404	150 085

Mr S O Hlatshwayo was appointed to act in the post of Executive Manager: Infrastructure & Services from 1 May 2015 to 29 February 2016, and then was appointed in the post of Executive Director Public Works and Basic Services on 1 March 2016.

Remuneration of the Chief Operations Officer : Mr S E Hlomuka

Salaries	-	437 972
Allowances - Travel, Standby and Subsistence & Travelling	-	265 034
Municipality's Contributions - Pension and Medical Aid	-	95 403
Bonus	-	40 147
	-	838 556

Mr S E Hlomuka was appointed in the post of Chief Operations Officer on 1 June 2013 and resigned on 30 April 2015.

25. Remuneration of Councillors

Mayor	808 701	768 087
Deputy Mayor	651 130	618 641
Speaker	651 130	618 956
Chief Whip	611 167	580 392
EXCO Committee Members	2 431 912	2 302 533
Councillors	10 945 596	10 648 851
	15 099 637	15 537 461

In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Deputy Mayor have the use of Council-owned vehicles for official duties.

The Mayor and Deputy Mayor have eight bodyguards at the cost of Council.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

26. Finance Costs

Long-term liabilities	418 681	463 027
Finance Lease Obligations	82	3 287
Other interest paid	3 931	2 927
	422 695	469 241

27. Bulk Purchases

Electricity	185 308 221	161 419 460
	185 308 221	161 419 460

Distribution Losses : Electricity	30 June 2016 KWh	30 June 2015 KWh		
Value of Purchases at Purchase Price	254 048 586	251 750 681	149 888 666	130 910 354
Less : Sales at Purchase Price	(228 742 550)	(230 370 765)	(134 958 105)	(119 792 798)
Total Losses	**25 306 036**	**21 379 916**	**14 930 561**	**11 117 556**
Technical Losses	12 702 429	12 587 534	7 494 433	6 035 461
Non-Technical Losses	12 603 607	8 792 382	7 436 128	4 890 666
Total Losses	**25 306 036**	**21 379 916**	**14 930 561**	**10 926 127**
Percentage of Total Loss	**9.96%**	**8.49%**		

The value of loss is calculated using the bulk purchase price.

28. Grants / Subsidies and Rebates Paid / Allowed

Grants paid to students	378 631	383 426
Rates Rebates	1 620 869	1 687 442
	1 999 500	2 070 868

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R
29. General Expenses		
Included in general expenses are the following:		
Advertising	1 396 641	1 254 373
Audit Fees	3 126 967	2 889 861
Bank Charges	1 322 607	388 042
Bulk Discounts	180 397	290 177
COID - Workmen's Compensation	1 501 343	1 164 907
Commercialisation of Agricultural Projects	271 179	251 856
Conferences & Delegations	2 581 029	1 861 146
Connections for KWh Meters	396	27 949
Consultants	11 007 379	4 593 774
Co-operative Development	1 269 138	122 194
Disconnections & Reconnections	849 116	772 966
Donation of Assets	8 705 378	2 189 708
Electricity - Municipal Premises	3 790 477	2 678 815
Electricity - Streetlighting	2 615 873	2 075 958
Emergency Relief Fund	559 656	609 341
Entertainment Expenses	201 414	193 111
Events / Programmes	8 665 800	5 308 025
Grant Expenditure - Operational	4 076 323	12 657 515
Grants, Subsidies and Rebates	1 999 500	1 135 063
Indigency - Electricity / Alternative Energy	3 558 589	2 949 867
Insurance	2 933 439	2 836 596
Leave Provision	3 234 645	5 201 261
Legal Expenses	200 384	241 366
Licence Fees	841 846	679 681
Local Economic Development	235 752	393 202
Long Service Awards Provision	1 813 000	2 715 212
Materials & Sundries	1 211 703	644 708
Funeral Assistance	91 807	104 795
Performance Management - Software	-	111 184
Postage	1 107 933	1 210 842
Post Retirement Benefits	4 847 738	2 913 799
Printing & Stationery	2 159 346	1 991 684
Project Development	282 564	200 788
Protective Clothing	1 389 846	1 250 221
Public Meetings	298 042	207 529
Rates - Rateable Municipal Premises	229 009	215 298
Refurbishment - NER Requirements	4 224 338	1 615 392
Rent - Buildings / Offices	16 491	15 249
SARS - Skills Development Levy	1 886 310	1 670 937
Security Services	4 665 602	1 051 782
Siyazenzela Project	98 626	4 349 450
Software Database - Assets & Credit Control	140 000	131 393
Sport & Recreation	812 688	400 707
Subscriptions & Membership	2 230 633	2 177 871
Swimming Pool Costs	414 129	237 716
Tampered Meters	5 248	4 301
Telephone & Cellphone Costs	2 533 186	3 195 340
Third Party Payments	515 752	630 525
Township Establishment & LUMS	326 415	178 401
Trade Mission	-	75 214
Training Staff	2 446 695	1 762 628
Valuation Costs	106 692	137 336
Vehicle / Transport Costs	14 933 526	17 480 668
Ward Committees	1 820 958	1 984 623
Water / Sanitation	1 556 203	1 853 728
Youth Development Programme	1 321 702	1 010 809
Other General Expenses	5 809 691	8 005 650
	124 421 139	112 302 531

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

30. Cash Generated By Operations

Surplus/(Deficit) for the year	103 023 675	115 212 155
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations	6 854 389	3 041 421
Depreciation / Amortisation	48 961 370	53 292 101
(Profit)/Loss on disposal of assets	(84 151)	199 215
Contribution to long service awards provision	(1 722 813)	1 689 427
Contribution to performance bonus provision	395 084	340 239
Contribution to landfill site rehabilitation	13 833 317	310 902
Contribution to retirement benefit obligation	2 645 717	(5 201 268)
(Gain)/Loss on fair value adjustment and impairment	(11 607 605)	4 794 782
Operating surplus before working capital changes:	**162 298 983**	**173 678 975**
(Increase)/decrease in inventories	(20 513 293)	3 100 925
(Increase)/decrease in exchange debtors	(1 984 928)	(3 289 099)
(Increase)/decrease in non-exchange debtors	(3 411 793)	(19 571 309)
(Increase)/decrease in non-current receivables	1 831	1 601
(Decrease)/increase in unspent conditional grants and receipts	(2 802 356)	(6 073 214)
(Decrease)/increase in creditors	(6 816 855)	66 038 153
(Decrease)/increase in deposits	(186 498)	1 036 664
(Increase)/decrease in VAT Receivable	(8 405 338)	790 473
	118 179 754	**215 713 170**

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

31. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

31.1 Unauthorised Expenditure

Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	-

There was no unauthorised expenditure for the financial periods ended 30 June 2016 and 30 June 2015.

31.2 Irregular Expenditure

Opening balance	-	-
Irregular expenditure current year	-	6 772
Condoned	-	(6 772)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	-	-
Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.		
- Non-compliance with the PPPFA Regulation	-	-
- Persons in the service of the state	-	-
- Non-compliance with the SCM Regulations	-	6 772
Condoned	-	(6 772)
	-	-

31.3 Fruitless and Wasteful Expenditure

Opening balance	118 635	96 404
Fruitless and Wasteful expenditure current year	11 931	22 232
Approved by council or condoned	-	-
Recovered	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and Wasteful expenditure awaiting authorisation	130 567	118 635

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

32. Additional Disclosures in Terms of Municipal Finance Management Act

32.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	2 214 546	2 177 871
Amount paid - current year	(2 214 546)	(2 177 871)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

32.2 Audit Fees

Opening balance	-	-
Current year audit fee	3 584 601	3 247 516
Amount paid - current year	(3 584 601)	(3 247 516)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

32.3 VAT

All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	26 510 606	23 842 672
Amount paid - current year	(26 510 606)	(23 842 672)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	42 264 259	39 185 275
Amount paid - current year	(42 264 259)	(39 185 275)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

32.6 Supply Chain Management Deviations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be condoned by the Municipal Manager and noted by Council.

Opening balance	5 398 337	-
Total amount considered	3 735 615	6 905 623
Total amount condoned	(9 133 952)	(1 507 285)
Deviations awaiting authorisation	-	5 398 337

Notes to the Financial Statements

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33. Capital Commitments

33.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for		
Infrastructure	-	110 217 839
Community	-	20 556 812
Other	-	23 175 000
- Approved and contracted for		
Infrastructure	9 509 099	14 282 161
Community	3 639 928	43 188
Other	3 878 443	-
	17 027 470	**168 275 000**

This expenditure will be financed from:

- External Loans	-	-
- Government Grants	9 673 749	109 147 000
- Own Resources	7 353 721	59 128 000
	17 027 470	**168 275 000**

33.2 Operating leases

At the reporting date, outstanding commitments under operating leases fall due as follows:

Operating leases - as lessee

Within one year	69 322	64 618
In the second to fifth year inclusive	76 375	29 474
After five years	-	-
	145 696	**94 092**

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for the use of office equipment.
Leases are negotiated for an average term of three years and rentals have an escalation per annum, where applicable.

Operating leases - as lessor

Minimum lease payments due		
Within one year	1 059 312	323 492
In the second to fifth year inclusive	4 234 246	1 023 075
After five years	2 853 522	1 835 838
	8 147 080	**3 182 405**

Operating Leases consists of the following:
Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

Notes to the Financial Statements

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34. Other Income

Included in other income are the following:

Actuarial Gain on Post Retirement Benefits Obligation	2 536 630	6 019 219
Discounts Received	17 549	39 046
Donation of Assets	-	3 788 666
Fees : Brigade Service	193 338	109 375
Fees : Building Plans	189 796	126 438
Fees : Burial	158 477	142 051
Fees : Hiring	393 798	366 123
Fees : Sewerage Plans	216 351	197 052
Hire : Agra Crescent Hall	81 947	86 692
Hire : Town Hall	35 460	46 695
Legal Fees	127 096	152 153
Notice Processing Cost	645 455	637 281
Rates Clearance Certificates	242 798	239 844
Reconnection Fees : Non Payment	267 657	245 151
Refund Skills Development Levy	374 002	365 105
Rental Income - Housing	405 044	412 155
Rental Income - Sundries	882 332	756 229
Revenue - Third Party Payments	543 392	679 514
Royalty on Stone	337 464	401 684
Sundries	1 412 107	1 033 810
Other	2 164 340	1 904 255
	11 225 032	**17 748 536**

35. Self-Insurance Fund

Opening balance	10 606 279	9 220 454
Contributions / Interest	2 342 941	2 398 018
Insurance Claims processed	(505 300)	(1 012 194)
	12 443 920	**10 606 279**

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

36. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. This municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)
The latest interim actuarial valuation of the NJMP Superannuation Fund as at 31 March 2015 disclosed that the Fund's financial position has improved from the previous statutory valuation. The fund disclosed a deficit of R 158,7 million.
The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries payable for a year of 8 years with effect from 1 August 2012.

Natal Joint Municipal Pension Fund (Retirement)
The latest interim actuarial valuation of the NJMP Retirement Fund (defined benefit) as at 31 March 2015 disclosed a deficit in the fund of R 203,7 million.
The total rate of contribution by the municipality, including the surcharge, is 34,12% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries for a year of 8 years with effect from 1 August 2012.

Natal Joint Municipal Provident Fund
The latest interim actuarial valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2015 disclosed a surplus in the fund of R 66,5 million.

37. Councillor's Arrear Consumer Accounts

No Councillor(s) had arrear accounts over 90 days during the financial period ending 30 June 2016.

38. Related Parties

38.1 Transactions with Related Parties

S D Hlophe - Manager Corporate Services	9 196

The above employee is related to the director of GS Marketing Solutions, of which the Municipality conducted business with during the financial year.

38.2 Key Management Personnel Compensation

Compensation of Key Management Personnel and Councillors is set out in Notes 24 and 25 respectively to the Financial Statements.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

39. Risk Management

Financial Risk Management
The municipality 's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and utilised borrowing facilities are monitored.

Interest Rate Risk
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

40. Contingencies

40.1 Contingent Liabilities

The Municipality identified the following contingent liabilities:

Claim for Damages

The Municipality was sued for damages for allegations of unlawful arrest and defamation. The matter has been referred to Council's Insurers and the outcome is awaited. Case No. 11653/2015	500 000	
The Municipality was sued for motor vehicle damages. The matter has been referred to Council's Insurers and the outcome is awaited. Case No. 1332/2015	34 863	
The Municipality was sued for damages to Telkom property due to construction work carried out by municipal officials. The matter has been referred to Council's Insurers and the outcome is awaited. Case No. 2231/2014	28 368	
The Municipality was sued for motor vehicle damages. The matter has been referred to Council's Insurers and the outcome is awaited. Case No. 520/2016	21 010	
The Municipality was sued for damages to a private vehicle due to potholes in the road. The matter was referred to Council's Insurers. Case No. 1125/2014		11 367
The Municipality was sued for damages to a private vehicle due to potholes in the road. The matter was referred to Council's Insurers. Case No. 1528/2014		8 120
The Municipality was sued for damages to a private vehicle caused by municipal officials. The matter was referred to Council's Insurers. Case No. 1166/2014		17 357
The Municipality was sued for motor vehicle damages. The matter was referred to Council's Insurers. Case No. 1350/2014		14 000
The Municipality was sued for damages to Telkom property due to construction work carried out by municipal officials. The matter has been referred to Council's Insurers and the outcome is awaited. Case No. 2242/2014	24 863	24 863
The Municipality received a claim by the CCMA from a former employee for alleged damages suffered. CCMA Ref. No. KNOB5074/15 (The claim has been dismissed in the 2015/2016 financial year)	-	1 500 000
The Municipality received a claim by the SALGBC from a former employee for alleged damages suffered. Bargaining Council Ref. No. KPD071502 (The claim has been dismissed in the 2015/2016 financial year)	-	2 500 000
	609 104	4 075 708

40.2 Contingent Assets

The Municipality identified the following contingent asset:

A case of alleged fraudulent transactions and theft of money, during the month of January 2016 and prior months, by a Cashier in the Revenue Section in the Department of Finance, had been detected and reported. A case of fraud was opened at the South African Police Services on 3 May 2016 as per Case No. 32/5/2016. The South African Policie Services has since charged the employee with fraud and the case is currently under investigation.	1 465 181	
	1 465 181	-

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

41. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the year from 1 July 2015 to 30 June 2016.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Refer to Appendix D for classification of actual information by vote.

42. Correction of Error

42.1 During the year the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, Inventory - Held For Sale and Investment Properties.
During this exercise the municipality found assets that were incorrectly reflected / not reflected on the current register or had been captured incorrectly.

The Municipality rectified this retrospectively.

The cumulative effect on the 2015 Opening Balances are as follows :

Statement of Financial Position	
Property, Plant and Equipment - Other Assets	-499 254
Property, Plant and Equipment - Infrastructure Assets	-1 912 168
Property, Plant and Equipment - Land	-96 000
Inventory Assets	316 000
Investment Properties	1 610 000
Accumulated Surplus	581 423

The cumulative effect on the comparative amounts for 2015 are as follows :

Statement of Financial Position	
Property, Plant and Equipment - Other Assets	291 726
Property, Plant and Equipment - Community Assets	-181 957
Property, Plant and Equipment - Infrastructure Assets	991 199
Statement of Financial Performance	
Depreciation	-711 295
Repairs & Maintenance	2 753
General Expenses	-556 370
(Impairment Loss) / Reversal of impairment loss	163 944

42.1 Indigent rebates given to debtors have been adjusted as revenue foregone and is offset against revenue recognised in the Statement of Financial Performance. Free basic and alternative energy is disclosed under General Expenses

This has been rectified in terms of the comparative amounts as well

The cumulative effect on the comparative amounts for 2015 are as follows :

Statement of Financial Performance	
Property Rates	6 128 207
Service Charges	5 343 694
General Expenses	2 949 867

43. Change in Accounting Estimate

The Municipality has assessed the remaining useful lives of property, plant and equipment which resulted in a change of certain asset's remaining useful lives.

The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to R 3 079 653 for the current period.

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

44. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment		
Recoverable amounts of property, plant and equipment	1 076 873 376	950 326 178
Provision for rehabilitation of landfill site (discount rate, no.of years, amount of cash flows)	30 072 155	16 238 838
Present value of post retirement benefit obligation	31 500 717	28 855 000
Present value of long service awards	7 851 187	9 574 000
Provision for performance bonus	529 650	577 428
Provision for doubtful debts	130 637 048	112 538 821
Impairment of assets	4 130 088	4 139 782

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	4 130 088	4 139 782
Provisions	161 238 854	129 355 087

45. Donated Assets

Assets Received

Ntokozweni Developers donated land to the Municipality. The asset was recognised in Property, Plant and Equipment at cost of R1 210 000, and in Intangible Assets at a cost of R15 000 and disclosed under Other Income in the Statement of Financial Performance.		1 225 000
The Department of Sports and Recreation donated a park to the Municipality. The asset was recognised in Property, Plant and Equipment at cost of R2 260 227, and disclosed under Other Income in the Statement of Financial Performance.		2 260 267
A vehicle was donated to the Municipality. The asset was recognised in Property, Plant and Equipment at cost of R 303 399, and disclosed under Other Income in the Statement of Financial Performance.		303 399

Assets Donated

The Municipality funded the Steadville Area H Intersection, which falls within the SANRAL (DOT) area, during the financial year. The asset was handed over to SANRAL (DOT) at the completion of the project, and recognised under General Expenses in the Statement of Financial Performance.		2 189 708
The Municipality donated land to other government institutions during the financial year. The land was donated to Uthukela District Municipality and the Department of Provincial Public Works.	1 705 378	
The Municipality funded the Electrification of Kirkintulloch Sites in an Eskom serviced area, during the previous financial year. The assets were handed over to Eskom at the completion of the project, and recognised under General Expenses in the Statement of Financial Performance.	7 000 000	

Notes to the Financial Statements

	30 June 2016	30 June 2015 Restated
	R	R

46. Events After the Reporting Date

Non-Adjusting Event

In terms of the Provincial Notice 141 of 2016 issued in the Provincial Gazette, Extraordinary, 29 July 2016, the Department of Cooperative Governance and Traditional Affairs issued a notice in terms of Section.12 of the Local Government : Municipal Structures Act, 1998: Repeal and Replacement of Establishment Notice for Disestablishment of the Emnambithi / Ladysmith Municipality (KZN 232) and Indaka Local Municipality (KZN 232) and the Establishment of the New Alfred Duma Local Municipality (KZN 232).

The Emnambithi / Ladysmith Municipality will cease to exist as at the date of the official results of the municipal elections being declared by the Independent Electoral Commission.

The financial effect of this event is that all assets, liabilities, revenue and expenditure will be consolidated for the two (2) disestablished municipalities and reported from the date of establishment of the new municipality.

The consolidated budget for the new Alfred Duma Local Municipality for the 2016/2017 financial year is as follows :

Revenue	R	862 572 889
Expenditure	R	753 143 724
Capital Expenditure	R	210 247 500

Emnambithi / Ladysmith Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS				Balance at 30 June 2015	Received	Redeemed or Written Off	Balance at 30 June 2016
				R	R	R	R
LONG-TERM LOANS	**Interest Rate**	**Loan Ref.**	**Redeemable**				
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	4 710 438	-	273 316	4 437 121
TOTAL EXTERNAL LOANS				**4 710 438**	**-**	**273 316**	**4 437 121**

Emnambithi / Ladysmith Municipality

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost				Capital Under Construction				Accumulated Depreciation				Impairment			
	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Closing Balance	Carrying Value
Infrastructure																
Electricity	319 392 535	6 839 711	-701 337	325 530 909	14 617 818	22 379 686	-14 394 507	22 602 998	125 912 757	6 432 314	-463 419	131 881 652	196 336	2 693 987	2 890 323	213 361 933
Roads	876 736 494	97 351 239		974 087 733	46 487 944	99 014 271	-97 351 239	48 150 976	533 792 596	18 890 593	-	552 683 189	2 874 217	-	2 874 217	466 681 303
Public Safety	9 711 212	729 457		10 440 670	-	572 164	-	572 164	4 869 046	547 494	-	5 416 540	-	652 219	652 219	4 944 074
Solid Waste	17 594 609	13 833 317		31 427 926	3 339 904	1 477 378	-1 477 378	3 339 904	436 709		-	436 709	-	-	-	34 331 121
Stormwater	173 302 281	12 135 152		185 437 433	3 565 372	13 000 472	-12 135 152	4 430 692	95 943 465	3 861 192	-	99 804 657	-	-	-	90 063 468
	1 396 737 131	130 888 876	-701 337	1 526 924 670	68 011 038	136 443 971	-125 358 276	79 096 735	760 954 573	29 731 593	-463 419	790 222 747	3 070 553	3 346 206	6 416 759	809 381 898
Community Assets																
Land & Buildings	161 394 898	1 484 094		162 878 992	-	3 655 836	-1 484 094	2 171 742	110 145 399	4 549 926	-	114 695 325	-	-	-	50 355 410
Recreation Facilities - Parks	92 891 553	9 929 539		102 821 092	24 775 591	17 728 990	-9 758 156	32 746 425	46 021 327	3 493 404	-	49 514 731	1 244 655	314 073	1 558 728	84 494 058
	254 286 450	11 413 633	-	265 700 084	24 775 591	21 384 826	-11 242 250	34 918 167	156 166 726	8 043 329	-	164 210 055	1 244 655	314 073	1 558 728	134 849 468
Other Assets																
Land & Buildings	105 668 014	2 717 858		108 385 872	335 139	11 180 587	-1 240 480	10 275 246	77 573 704	3 076 298	-	80 650 002	602 400	-	602 400	37 408 716
Computer Equipment	14 760 952	836 124	-587 225	15 009 851	-		-	-	8 807 566	2 201 975		11 009 542	2 135	58 123	60 258	3 940 051
Furniture & Office Equipment	15 333 514	1 297 903	-310 989	16 320 428	-		-	-	7 307 835	1 673 630	-208 336	8 773 129	4 768	112 313	117 081	7 430 217
Motor Vehicles	69 446 903	1 198 785	-491 272	70 154 416	-		-	-	28 737 136	2 125 485	-17 426	30 845 195	1 263 255	127 780	1 391 035	37 918 185
Plant & Equipment	22 018 093	1 034 189	-265 897	22 786 384	-	614 035	-	614 035	10 606 332	2 058 881	-134 927	12 530 286	68 717	171 592	240 309	10 629 824
	227 227 476	7 084 859	-1 655 384	232 656 950	335 139	11 794 622	-1 240 480	10 889 281	133 032 574	11 136 269	-360 689	143 808 164	1 941 275	469 809	2 411 084	97 326 993
Leased Assets									-							
Office Equipment	335 442		-335 442	-	-	-	-	-	240 734	-212 334	-94 418	-66 018	-	-	-	66 018
	335 442	-	-335 442	-	-	-	-	-	240 734	-212 334	-94 418	-66 018	-	-	-	66 018
Land Assets																
Land with Buildings	10 337 000		100 000	10 437 000	-	-	-	-	-	-	-	-	-	-	-	10 437 000
Vacant Land	24 932 000		-120 000	24 812 000	-	-	-	-	-	-	-	-	-	-	-	24 812 000
	35 269 000	-	-20 000	35 249 000	-	-	-	-	-	-	-	-				35 249 000
Total	1 913 855 498	149 387 367	-2 712 163	2 060 530 703	93 121 769	169 623 419	-137 841 005	124 904 183	1 050 394 606	48 698 858	-918 525	1 098 174 939	6 256 483	4 130 088	10 386 871	1 076 873 376
						-	-					1 103 022 493				

Emnambithi / Ladysmith Municipality

APPENDIX C

STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2016

REFER TO NOTE 41

Description By Nature	Original Budget R	Budget Adjustments (i.t.o. s28 & s31 of the MFMA R	Virement (i.t.o. Council Approved Policy) R	Final Budget R	Actual R	% Variance R	Explanation of Significant Variances Actual versus Final Budget
Financial Performance							
Property Rates	132 180 397	(269 328)	-	131 911 069	130 628 035	99.03%	
Property Rates - Penalties & Collection Charges	11 681 039	(6 111 971)	-	5 569 068	6 507 810	116.86%	Interest has been capped at the capital amount on outstanding debtors accounts. This was underestimated during the budget process, therefore the actual income is more than expected.
Services Charges	294 158 151	7 148 025	-	301 306 176	293 485 955	97.40%	
Interest Earned - External Investments	5 000 000	4 000 000	-	9 000 000	10 404 000	115.60%	Cash flow was monitored to ensure that investments were maximised where surplus funds became available, thereby maximising interest income.
Interest Earned - Outstanding Debtors	2 015 719	500 000	-	2 515 719	2 162 513	85.96%	Interest has been capped at the capital amount on outstanding debtors accounts. This was over-estimated during the budget process, therefore the actual income is less than expected.
Fines	9 501 490	500 000	-	10 001 490	10 799 929	107.98%	Traffic fines issued during the period exceeded the budgeted amount for revenue due to an increase in traffic control and road safety operations.
Licences and Permits	6 508 213	-	-	6 508 213	5 832 977	89.62%	Budget was based on the prior year's actuals, and income was expected to increase accordingly.
Transfers and Grants Recognised - Operational	136 790 000	(4 074 000)	-	132 155 700	132 440 743	100.22%	
Transfers and Grants Recognised - Low Cost Housing	-	-	-	-	952 346	0.00%	No Budget allocated, as there were unspent grant funds remaining from the previous financial year.
Other Income and Profit on Fair Value Ajustments	21 180 813	(13 280 185)	-	7 900 628	26 962 725	341.27%	
Total Revenue (Excl. Capital Transfers & Contributions)	**619 015 822**	**(11 587 459)**	**-**	**606 868 063**	**620 177 033**	**102.19%**	
Employee Related Costs	196 205 329	8 061 093	-	202 266 422	185 384 867	91.65%	
Remuneration of Councillors	15 910 681	571 999	-	16 482 680	16 099 637	97.68%	
Bad Debts	19 994 977	6 500 000	-	26 494 977	26 242 398	99.05%	Impairment of Debtors has been calculated based on outstanding debtors balances as at 30 June 2016.
Depreciation and Amortisation Expense	70 503 542	(10 503 542)	-	60 000 000	48 961 370	81.60%	Change in accounting estimate to extend the useful lives of PPE reflects a reduction in Depreciation
Repairs and Maintenance	40 997 157	(2 421 990)	-	37 404 403	36 122 272	96.57%	
Finance Costs	418 764	5 000	-	423 764	422 695	99.75%	
Bulk Purchases	183 766 408	3 651 708	-	187 418 116	185 308 221	98.87%	
Impairment Loss	1 943 313	-	-	1 943 313	4 130 088	212.53%	This is only determinied when conditional assessments of assets are conducted and budget is based on prior year trends.
Loss on Disposal of PPE	-	-	-	-	84 151	0.00%	
Other Expenditure	147 280 575	(25 046 187)	-	124 234 388	124 421 139	100.15%	Expenditure is being closely monitored in terms of cash flow and certain cost cutting measures, and only necessary goods and services are being procured.
Total Expenditure	**677 020 746**	**(19 181 919)**	**-**	**656 668 063**	**627 176 836**	**95.51%**	
Surplus/(Deficit)	**(58 004 924)**	**7 594 460**	**-**	**(49 800 000)**	**(6 999 803)**	**14.06%**	
Transfers Recognised - Capital	107 647 000	560 300	-	108 207 300	110 023 478	101.68%	
Contributions Recognised - Capital	-	-	-	-	-	0.00%	
Surplus/(Deficit) After Capital Transfers & Contributions	**49 642 076**	**8 154 760**	**-**	**58 407 300**	**103 023 675**	**176.39%**	
Capital Expenditure and Funds Sources							
Capital Expenditure							
Transfers Recognised - Capital	107 647 000	560 300	-	108 207 300	110 023 478	101.68%	
Public Contributions and Donations	-	-	-	-	-	0.00%	
Borrowing	-	-	-	-	-	0.00%	
Internally Generated Funds	59 128 000	30 032 298	-	89 160 298	59 599 941	66.85%	Certain projects were completed well within the budgeted amounts allocated and grant funding fully utilised to manage cashflow.
Total Sources of Capital Funds	**166 775 000**	**30 592 598**	**-**	**197 367 598**	**169 623 419**	**85.94%**	

Emnambithi / Ladysmith Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2015 Actual Income Restated R	2015 Actual Expenditure Restated R	2015 Surplus / (Deficit) Restated R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus / (Deficit) R
238 320 962	101 926 006	136 394 957	Municipal Manager & Council	252 906 110	128 739 174	124 166 935
517 258	5 765 539	-5 248 280	Corporate Services	469 909	9 080 415	-8 610 506
84 307 117	122 693 491	-38 386 373	Community Services	83 447 062	126 621 723	-43 174 660
4 673 984	16 849 142	-12 175 158	Finance	5 265 482	22 429 663	-17 164 182
358 246 734	299 422 647	58 824 088	Infrastructure & Services	404 199 514	324 639 434	79 560 080
3 294 674	27 491 753	-24 197 079	Development, Planning & Human Settlement	1 069 308	32 823 299	-31 753 991
689 360 731	**574 148 576**	**115 212 155**	**Sub Total**	**747 357 384**	**644 333 709**	**103 023 675**
-47 098 863	-47 098 863		Less : Inter Departmental Charges	-49 924 795	-49 924 795	
642 261 868	**527 049 713**	**115 212 155**	**Total**	**697 432 589**	**594 408 914**	**103 023 675**

Emnambithi / Ladysmith Municipality
APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		30 June 2016	30 June 2016	Yes / No
Corridor Development Grant	COGTA	-	1 859 281	Yes
Thusong CSC Grant	COGTA	-750 000	531 193	Yes
Equitable Share	National Government	-119 939 709	119 939 709	Yes
Provincialisation of Libraries	Dept of Arts & Culture	-3 435 000	3 435 000	Yes
Recapitalisation of Libraries	Dept of Arts & Culture	-531 000	531 000	Yes
Department of Human Settlement - Housing	Dept of Human Settlement	-	952 346	Yes
Housing Accreditation Funds	Dept of Human Settlement	-987 693	196 534	Yes
Municipal Finance Management Grant	National Government	-1 600 000	1 600 000	Yes
Expanded Public Works	National Government	-4 513 000	4 513 000	Yes
Municipal Infrastructure Grant	National Government	-42 647 000	42 647 000	Yes
Integrated National Electrification Programme	National Government	-15 000 000	15 000 000	Yes
Municipal Systems Improvement Grant	National Government	-930 000	930 000	Yes
Museum Subsidy	Dept of Arts & Culture	-166 000	166 000	Yes
Ladysmith Black Mambaso	Dept of Arts & Culture	-114 810	598 308	Yes
Disaster Recovery Grant	National Government	-50 000 000	50 517 198	Yes
		-240 614 212	**243 416 567**	